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TO RUEHC/SECSTATE WASHDC PRIORITY 0028
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RUEHSO/AMCONSUL SAO PAULO 0857
RUEHBU/AMEMBASSY BUENOS AIRES 5016
RUEHAC/AMEMBASSY ASUNCION 6303
RUEHMN/AMEMBASSY MONTEVIDEO 7025
RUEHSG/AMEMBASSY SANTIAGO 6436
RUEHLP/AMEMBASSY LA PAZ 5640
RUEHWN/AMEMBASSY BRIDGETOWN 0066
RUEHPU/AMEMBASSY PORT AU PRINCE 0198
RUEHSN/AMEMBASSY SAN SALVADOR 0163
RUEHDG/AMEMBASSY SANTO DOMINGO 0175
RUEHME/AMEMBASSY MEXICO 2085
RUCPDO/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC
RUEHRC/USDA FAS WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC

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EEB/ESC/IEC FOR BHAENDLER
NSC FOR TOMASULO
USDOC FOR 4332/ITA/MAC/WH/OLAC
USDOC ALSO FOR 3134/USFCS
DOE FOR GARY WARD AND COURTNEY GILLESPIE
USAID FOR LAC/AA

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SUBJECT: BRAZIL: FIRST MEETING OF USG-GOB BIOFUELS STEERING
COMMITTEE

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11. (SBU) Summary: Under Secretary for Economic, Energy and Agricultural Affairs Reuben Jeffery III, Ambassador Sobel and delegation participated in the first USG-GOB Biofuels Steering Committee meeting on August 20, 2007. Ministry of Exterior Relations (MRE) Under Secretary Everton Vargas led the Brazilian delegation. Under Secretary Jeffery stressed the value of the bilateral dialogue and the transformative opportunity that biofuels represent, and said that he welcomed the opportunity to make advances on specific areas of this dialogue. Both parties emphasized the need to move quickly in the area of standardization to enable future collaboration and make biofuels a global commodity. Vargas highlighted the September visit by Brazilians officials to U.S. Department of Energy research laboratories as an important first step for information exchange. Under Secretary Jeffery observed that cooperation should not be restricted to scientific discussion, but should extend to defining actionable projects. Ambassador Sobel suggested including other third countries that could be significant building blocks for the future, such as Japan, India or Mexico. Both under secretaries agreed on the need for private sector involvement to spur momentum and keep pace with the market in the biofuels race. Participants discussed the makeup of a proposed advisory group and future meeting dates for the Steering Committee. In a breakfast meeting on August 21, Alessandro Teixeira, President of Brazil's Export Promotion Agency (APEX) stressed the need for more immediate results. He recommended a dual strategy involving private sector, parallel projects in order to accomplish results at what he termed "faster than diplomatic speed." End Summary.

¶2. (U) During an August 20 meeting of the U.S. - Brazil Biofuels Steering Committee in Brasilia, Under Secretary Jeffery pointed out that highlighting the success of one country would encourage other countries to commit, and suggested that the steering committee initially focus on one or two countries for quick, tangible progress, and then reach out to others. His counterpart at the Brazilian Ministry of External Relations (MRE), Everton Vargas, concurred with this suggestion and said he would like to see concrete results from our MOU. The Under Secretary reported that a consulting group, Winrock, had been contracted by the USG to conduct feasibility studies in target countries. He highlighted the importance of USG and GOB involvement in shaping Winrock's agenda in terms of focus and resources. Vargas said that private investment would be a key to the success of the biofuels initiated and said Brazil's Export Promotion Agency (APEX) would be a key player.

Standardization

¶3. (U) International biofuels standards and norms were a key focus of the discussions. Vargas pointed out that the International Biofuels Forum (IBF) can send a very important signal to the world on biofuels standards, as well as environmental issues. The greatest contribution that the IBF could provide, he stated, is in the area of technical standards and norms. The Under Secretary concurred that establishing biofuels as a commodity with standards in place is an important prerequisite to achieving mutual USG-GOB objectives.

¶4. (U) The President of INMETRO, Brazil's equivalent to the U.S.' National Institute for Standards and Technology (NIST), Prof. Joao Herz da Jornada, said that his agency hoped to establish a common database of standards - a set of reference materials of measuring techniques - by year end. Jornada indicated that his organization

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was moving ahead quickly, had met with NIST in July, and would be going to Washington in September to brief Commerce Secretary Gutierrez for his upcoming trip to Brazil for Commercial Dialogue meetings. Vargas added that it is important to have a convergence of standards that extend to large markets like China and India. U.S. delegation members noted that the IBF (which represents around 95 percent of worldwide ethanol production and whose members include India and China) shared this sense of urgency.

Advisory Group Makeup

¶5. (U) Vargas stated that the GOB felt that an advisory group is important to further the MOU's goals and suggested that it meet soon. He recommended that the composition be limited to eight individuals, with the option to invite special guests as needed. U/S Jeffery demurred on limiting the size of the group to only eight individuals and said that the composition of the committee should include a mixture of NGOs and private-sector, for-profit businesses, with only one or two government members. Vargas asked for more time to consider the level of participation of these sectors. Brazil, he said, would not have difficulty designating people. After considerable discussion, Vargas suggested deferring this determination to a later date.

Future Meetings

¶6. (U) Vargas recommended that the next Steering Committee meeting take place in early January, indicating that late November and December are very busy months on his calendar. The Under Secretary indicated his preference for a meeting in late October or early November, followed by another in January, in order to keep up momentum. Vargas indicated he would review this suggestion and recommend a final working schedule in a few weeks. Vargas added that the issue of biofuels had become the "highest priority in the

Brazilian government," and reiterated that his government wants to enhance our bilateral partnership and provide a global example. Ambassador Sobel suggested that the parties could meet via DVC when it is not possible to meet in person. (Note: After the meeting, Greg Manuel and Amb. Simoes prepared a joint statement which said that the two sides would meet again both in late October/early November and in January. The level of the meetings was left to be determined. End Note.)

Breakfast with APEX

17. (SBU) At a breakfast the next morning with the Under Secretary and Ambassador Sobel, APEX President Alessandro Teixeira, expressed dissatisfaction with the rate of progress on projects pursuant to the MOU, and advocated a dual or parallel-track approach, allowing the private sector to move ahead quickly and not only within the framework of the MOU. He and Ambassador Sobel discussed the next "big picture prospect" as possibly being Mexico, because Mexican President Calderon has advocated a 10 percent mix of ethanol which would significantly increase that country's demand for the product. Mexico will never be a large producer, said Teixeira, but could be a large consumer, although it currently faces pressure from the Mexican National Petroleum Company (Pemex) and the GOM Ministry of

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Energy to stave off a policy change in the ethanol mix.

18. (U) This cable was cleared by Tom Pierce in E.

Sobel